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C O N F I D E N T I A L SECTION 01 OF 03 ASHGABAT 000166

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STATE FOR SCA/CEN, EEB
PLEASE PASS TO USTDA DAN STEIN
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E.O. 12958: DECL: 01/30/2018
TAGS: [PGOV](#) [PREL](#) [EPET](#) [EINV](#) [TX](#)
SUBJECT: TURKMENISTAN: DEPUTY CHAIRMAN TAGIYEV -- THE
DINOSAUR BEGINS TO EVOLVE

REF: A. ASHGABAT 0165
[1](#)B. ASHGABAT 0164

Classified By: CHARGE RICHARD E. HOAGLAND FOR REASONS 1.4(B), (D)

[1](#)1. (C) SUMMARY: On January 29, Turkmenistan's Deputy Chairman of the Cabinet of Ministers for hydrocarbon issues, Tachberdi Tagiyev, told U.S. Coordinator for Eurasian Energy Diplomacy Ambassador Steven Mann things are going well for Turkmenistan. The country is discovering promising new hydrocarbon fields, and is finding foreign hydrocarbon firms willing to work in Turkmenistan on the government's terms. Tagiyev said that Turkmenistan's ban on allowing foreign firms to work onshore remains in place, and that he would support an onshore role for Chevron only in a service capacity. However, he also offered an apparent opening for a reversal of this verdict, noting that "time is important...because it gives us an opportunity to study one another." From an official who previously rigorously opposed a Trans-Caspian pipeline but who now is preaching the advantages of pipeline diversification, this represents a degree of evolution. END SUMMARY.

[1](#)2. (C) U.S. Coordinator for Eurasian Energy Diplomacy Ambassador Steven Mann met Deputy Chairman of the Cabinet of Ministers for hydrocarbon issues Tachberdi Tagiyev for nearly an hour on January 29. Tagiyev noted that things are going well for Turkmenistan: geologists are discovering new fields and Turkmenistan is continuing with its capital improvement work on existing wells. Congratulating Tagiyev on the country's new achievements, Mann emphasized he will work to intensify U.S. energy diplomacy.

UNITED STATES SUPPORTS NEW WORLD-CLASS INVESTMENT IN CASPIAN

13. (C) Mann briefed Tagiyev on his meeting earlier that day with President Berdimuhamedov (septel).

-- Mann said he had given to the president his commitment to work full-time on energy issues, and pledged to work closely with Turkmenistan's leaders in support of their energy goals.

-- He reiterated U.S. interest in supporting new world-class investment in the Caspian region, stated that there are energy opportunities in the European market, and stressed that development of alternate export routes is important both commercially and strategically for Turkmenistan.

-- Berdimuhamedov had proposed Turkmenistan and Azerbaijan hold joint International Oil and Gas Exhibitions, alternating countries every year. Mann said we could support this idea and promised to raise it in Baku.

CHEVRON IS WAITING FOR TURKMENISTAN TO REPLY

14. (C) Noting the significant possibilities for Caspian hydrocarbon development, Mann stressed our desire to have U.S. companies participate both on-shore and off-shore. He said he was heartened by Berdimuhamedov's assurances that he absolutely wants U.S. companies to develop Turkmenistan's resources. Mann encouraged Turkmenistan to reply to Chevron's initial summary proposal so they can prepare a more detailed proposal.

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15. (C) Mann emphasized Chevron's interest in working both off-shore (in the Serdar field) and on-shore (on the subsalt layers in the Amu Darya basin). Noting that Chevron's experience in working high-sulphur, high-pressure fields would be helpful in the Amu Darya, Mann said Chevron remains flexible in structuring a joint venture agreement that would allow it to work with the Government of Turkmenistan. Stating that the United States does not "play favorites among its children," Mann said he had talked about Chevron because it compared to other companies and it was fairly far along in structuring a detailed proposal. Mann also stressed the advantages that U.S. companies in general can offer Turkmenistan.

16. (C) Briefing Tagiyev on his stop in Astana prior to arriving in Turkmenistan, Mann said that he had interesting discussions there with government and Kazmunaigaz officials about trans-Caspian pipelines and about Iranian and Russian objections to new pipelines. Kazmunaigaz Chairman Karabalin had observed that there are already 6000 kilometers of existing pipelines in the Caspian.

TURKMENISTAN WANTS TO DEVELOP ONSHORE FIELDS ITSELF

17. (C) Noting that "in recent years" Turkmenistan has paid special attention to working with the United States, Europe and other countries, Tagiyev responded that each meeting with Mann is leading to stronger relations and mutual understanding. Berdimuhamedov has placed a priority on acquiring the latest technologies, and to that end had met with U.S. and European companies during his September trip to New York and October trip to Brussels.

18. (C) Turkmenistan's goal, Tagiyev said, is to develop its onshore fields by itself. Last year, exploratory drilling resulted in the discovery of new reserves totalling three trillion cubic meters of natural gas in the Yoloten, Osman and other Amu Darya fields. Turkmenistan will seek to develop these fields through service contracts with foreign companies. Tagiyev asserted that there were a number of U.S. and European companies that have expressed interest in providing such services, including in drilling wells and

developing sulphur treatment and other gas-cleaning facilities.

¶9. (C) Off-shore is a different story. Since Turkmenistan does not have off-shore hydrocarbon experience, it is negotiating with foreign companies that want to work Turkmenistan's off-shore blocks. Tagiyev suggested that the Turkmen government will shortly sign a contract with ConocoPhillips for blocks 19 and 20. (NOTE: Although ConocoPhillips is bidding with its partner Lukoil for rights to work blocks 19, 20 and 21, we understand ConocoPhillips would work blocks 20 and 21. Lukoil would work block 19. END NOTE.)

¶10. (C) Tagiyev added Turkmenistan has carefully studied Chevron's initial proposal, and would not object if Chevron wants to provide services on-shore. Chevron has also applied to develop fields off-shore and is now in discussion with the State Agency on its bid.

TAGIYEV SUPPORTS PIPELINE DIVERSIFICATION

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¶11. (C) Stating, "You know we want to increase our pipeline options," Tagiyev noted that a Trans-Caspian pipeline (TCP) has been discussed since 1997. If all issues had been resolved back then, Turkmenistan would have a TCP now. He added, "We would like to get a world-market price of \$300 per thousand cubic meters (for our gas)," a position Berdimuhamedov has several times told U.S. visitors. He stuck to Turkmenistan's position of selling gas at its borders, but then he added Turkmenistan remains open to both a TCP and a trans-Afghan pipeline. "We must learn from each other and from companies." He confirmed that Turkmenistan wants to have U.S. and European companies working in Turkmenistan because "we need to learn from each other."

MANN ADVOCATES STRENGTHS U.S. FIRMS BRING TO THE TABLE

¶12. (C) Mann suggested that Turkmenistan's policy of selling gas at its borders has lost Turkmenistan a lot of money and urged the government to review its policy in terms of future contracts. While he did not want to speak for U.S. companies, he questioned whether any major U.S. company would want to provide only services to Turkmenistan on-shore. While it is necessary to respect Turkmenistan's desires and customs, he suggested there is a need to find new ways of working in cooperative ownerships. Mann once again invited Tagiyev to visit the United States.

TAGIYEV: TIME GIVES US A CHANCE TO STUDY ONE ANOTHER

¶13. (C) Thanking Mann for all he was doing, Tagiyev said, "The most important factor is time. Time will show, but time also gives us an opportunity to study one another." Tagiyev noted his country had started signing on-shore production sharing agreements (PSAs) in the early 1990's with a range of foreign companies, including from the United States. "You are well aware of what happened," he added, "and we need to study that experience. We got ourselves into situations on-shore."

¶14. (C) COMMENT: Continuing the trend he demonstrated in his November 19 meeting with Mann, Tagiyev, a technocrat who frequently comes off as hopelessly old-school, seemed somewhat more forthcoming. Tagiyev's comments about Turkmenistan's past bad experiences with onshore PSAs were particularly significant, and may help to explain why the government continues to resist on-shore participation by foreign firms. Given Turkmenistan's painful experience in the 1990's with Argentinian oil firm Bridas, which led to international arbitration and a particularly damaging (for Turkmenistan) legal wrangle, authorities are clearly cautious about leaving themselves in a similar position in future. In evaluating Turkmenistan's ability to work the gas fields in

eastern Turkmenistan, however, Turkmenistan's hydrocarbon authorities may be overestimating the abilities of their own state enterprises. And yet, Tagiyev's comments about time offering an opportunity to study one another might imply the government's ban of on-shore activity by the foreign majors may be wavering. Time provides the opportunity for evolution. END COMMENT.

¶15. (U) Ambassador Mann has cleared this cable.
HOAGLAND